SENATE HIGHWAYS AND TRANSPORTATION
EXHIBIT NO. 3
DATE 2-22-2011
BILL NO. SJ 16

# INFORMATION FOR DRAFT LEGISLATION TO RESTORE AMTRAK PASSENGER RAIL ROUTES IN THE WESTERN UNITED STATES

## PROPOSAL

Restore 3 western Amtrak routes similar to those that have ~~been operated in the past~~

| | |
|---|---|
| 1) North Coast Hiawatha | Chicago to Seattle & Portland via southern route through North Dakota and Montana with connection to the Empire Builder in Spokane. (Split train in Spokane and recombine with the Empire Builder to run to Seattle and Portland.) |
| 2) Pioneer | Seattle and Portland to Denver via Ogden and Cheyenne, with connection at Denver to the California Zephyr. |
| 3) Desert Wind | Los Angeles to Salt Lake City via Las Vegas with connections to the California Zephyr at Salt Lake City. |

These trains are needed to provide essential passenger rail service in the western United States. They will

1) improve rail service by connecting more towns and cities, and providing more travel options.
2) provide transportation for people who cannot fly or drive.
3) improve the economics of Amtrak operations by increasing ridership on other trains in the network.
4) improve economies of cities and areas that will get more travelers and tourists if rail service is available. For example, the southern route in Montana serves 3 colleges, 2 universities, several destination ski areas, and a major national Park.
5) reduce energy consumption and carbon emmissions.

All 3 trains need sufficient equipment to provide a complete train, including locomotives, baggage, coaches, sleepers , diner, and lounge/observation. Estimated equipment needs (tentative) :

| | | | |
|---|---|---|---|
| NCH | 45 cars | (5 sets) | 12 locomotives |
| Pioneer | 32 " | (4 sets) | 8 " |
| Desert Wind | 27 " | (3 sets) | 10 " |

These equipment numbers allow for a through coach and sleeper to Chicago on the Pioneer and Desert Wind, and extra locomotives for the NCH in winter and for the Zephyr east of Salt Lake City.

This does not include allowance for spare equipment, as we do not have information to calculate that. The estimated total cost for equipment is about $450 million, and another $500 million may be needed for improvements for track or other work on freight railroads. and support services for Amtrak. Initial operating costs may exceed revenues by about $75 million per year, but this would decrease as the service becomes well established. This estimate of operating losses does not consider the increased revenues on other Amtrak trains due to additional connecting passengers.

Legislation would require Amtrak to run these 3 trains daily for a minimum period of 5 years, and provide appropriations for all necessary capital costs and operating funds as needed for the 5 year period.

Kirk Thompson 7/26/10

852 Willoughby Lane
Stevensville, MT 59870
November 23, 2009

Senator Jon Tester
Hart Senate Office Building
Room 724
Washington, DC 20510

Dear Senator Tester,

Recently several long-time proponents of restoring passenger rail service to southern Montana met to review the Amtrak study on the North Coast Hiawatha (NCH), dated 10/16/09. This letter covers some of the key capital cost figures. More information on other issues in the report will be prepared soon.

We have known that capital costs to re-establish this train would be high, and that revenues (at least initially) would not cover operating expenses. However, adding this route, as well as many others, to our national passenger rail network makes sense for a great number of reasons of which you are already aware. The key to insuring long-distance passenger rail service can pay its operating cost from revenue is to have an extensive system that serves the entire country, not just the skeleton system we have today.

We agree with Amtrak that the NCH should be a full-service daily train, running from Chicago to Seattle. The Amtrak study proposes the NCH run as a separate train all the way, while we propose the NCH be combined with the Empire Builder (EB) at Spokane, and run with the EB to both Seattle and Portland. This not only provides better service, and thus more revenue, but it decreases operating costs by over $2 million per year, as no additional operating crew is needed west of Spokane. We suggest the NCH schedule be adjusted slightly to allow it to arrive in Spokane about 10 PM, thus increasing business to Spokane, and allowing passengers in Spokane to board at a more reasonable hour, even if the trains to Portland and Seattle do not leave until after 2AM. West of Spokane there would only be the EB running, but each section would be a complete train with the cars from the NCH. The eastbound EB would combine in Spokane just as it does now, but it would leave as two trains, the EB and the NCH. To do the switching in Spokane as we propose would require two uncouplings and two couplings, compared with just one of each now for the EB. The two platform tracks at Spokane can accommodate the two trains. This type of operation allows NCH passengers to connect to the California train in Portland, thus increasing revenue on both the NCH and the Coast Starlight. It should be noted that this operation bypasses the Washington towns of Ellensburg and Yakima that were stops in the Amtrak proposal. Service could easily be provided by a dedicated bus connection to the EB/NCH at Pasco (a 120 mile Interstate highway run) if desired.

This proposal causes capital costs for track work to drop by $191.3 million, as no additional trains run west of Spokane. We do not dispute the addional $428.5 million for track work east of Spokane (even more improvements would be desirable) that the freight railroads are requesting. However, these improvements provide significant benefits to the freight railroads, and also benefit the entire country by improving the railroad infrastructure. To be conservative for the purpose of this analysis we suggest no more than half, or $215 million, be charged to passenger rail. In all fairness, the amount actually charged (yet to be negotiated) should really be much less than the $215 million. Also, it should also be noted that of the $428.5 million, $92 million is for track where the EB currently runs!

We are also concerned with Amtrak's estimate of equipment costs. First of all, we

believe only 5 trainsets would be needed (without consideration for spare equipment, the same assumption Amtrak made). The combination in Spokane also reduces the number of locomotives required by 1. We understand the third locomotive is required in winter by BNSF, but only 3 would be needed to run from St. Paul to Spokane and back. Thus, even retaining Amtrak's basic assumptions, this new proposal would require 45 cars and 12 locomotives, not the 72 total Amtrak requested. Amtrak estimated an average cost for equipment of $4.58 million per piece. Freight railroads buy even larger locomotives for about $2 million each, and passenger cars should be about $3 million or so. We understand Amtrak's need to estimate on the high side (and agree many uncertainties exist in estimating costs), and that they considered the NCH in isolation. However, we believe that an equipment purchase will only happen as part of a larger plan to buy new equipment both to equip many new trains and to replace old equipment now running. Accordingly, an average price of $3.5 million should be more accurate, resulting in an etimated equipment cost of $200 million for the NCH. This reduces the capital costs by another $130 million.

The Positive Train Control (PTC) cost of $60 million for MRL is also questionable. The MRL mainly runs through trains for the BNSF, some of which we believe carry hazardous materials. It is not very logical to assume that PTC is needed to haul hazardous materials on one railroad, but if the engineer running the same train works for a different company, PTC is no longer needed.

Station costs will likely be paid for at least partially by the towns with stops, but we have not proposed changing this relatively small cost until further information is available.

Capital Cost Summary

| | Amtrak | Revised Proposal |
|---|---|---|
| | million $ | |
| track Chicago - Spokane | $428.5 | $215 |
| track Spokane - Seattle | 191.3 | 0 |
| Stations | 17.6 | 17.6 |
| Equipment | 330 | 200 |
| PTC | 60 | 0 |
| Total | $1027.4 | $432.6 |

The operating costs for the NCH show a substantial loss, in which personnel costs play a large part. We note that Amtrak estimates the average cost for an OBS employee (probably based on 11 per train) is $1830 per employee per 1-way trip (2 days), and the average cost for a T&E employee (based on 8-10 hour day, and 4 required at all times) is $742 per employee per day. It will be difficult to obtain sufficient revenue to cover these costs.

There are many other costs and items in the report that should receive further evaluation. We are currently working on these, and will be sending you more information in the near future. Our proposal is a much better and much less expensive alternative than Amtrak presented.

Sincerely,

Kirk Thompson